



# Chapter 10

# GENERAL SERVICES

## HIGHLIGHTS

- The state has begun a comprehensive transformation of the way it manages real estate that will eventually save millions. A concerted effort and investment is being made to eliminate the amount of space the state leases through the Office Consolidation Project. Furthermore, synergies are being created as departments actively seek opportunities to co-locate in the same building while also providing more conveniences for Tennesseans.
- New proposals to better manage state owned vehicles that include a pilot program encouraging the state to lease rather than purchase new vehicles and a more economical solution for maintenance of state vehicles will see an estimated \$4.6 million in efficiencies.
- Increased utilization of green technology to provide energy efficient solutions for government owned property will potentially yield \$245,000 in annual efficiencies.
- The Central Procurement Office will engage a strategic sourcing vendor to support its mission of savings creation. On average, states realize 15-20% savings when contracts are strategically sourced. Additional initiatives are to streamline procurement methods and standardize procurement thresholds, allowing the Central Procurement Office to focus on more strategic, high dollar initiatives.

## INTRODUCTION

The Department of General Services (DGS) is an internal service department within state government. The department ensures that other state departments and agencies have the necessary goods and services to accomplish their own business objectives. These services include: procurement of equipment and materials; building management; motor vehicle and equipment management; surplus property utilization; printing and photographic services; postal services; records management and warehouse administration; facility maintenance and repair services; and security management.

The mission of DGS is to provide a high quality of services at a competitive price to support the operation of state government. As the state's purchaser of commodities and services, the manager of capital expenditures for buildings, and the entity that maintains

and protects state facilities, it is imperative the primary mission is cost-effective service. In addition, DGS must make government friendly for its users, expand procurement opportunities for minority, women, small and service disabled veteran-owned businesses, and reduce operating costs for the agencies of state government.

## APPROACH/METHODOLOGY

The Top to Bottom Review included a close study of DGS' current mission, responsibilities and structure to identify improvement opportunities and recommend changes. Every program that DGS administers was examined. Interviews and small group discussions were conducted directly with the people having first-hand knowledge of the department. Staff members and management who perform the tasks, manage the processes, or deliver the services were the best sources of information on:

- What we do and why we do it;
- Is there a better way and how;
- Are there others who might do it better or more effectively than us, and why;
- What things we should start doing; and/or
- What things we could stop doing entirely.

## RECOMMENDATIONS

**Recommendation 1:** Engage a strategic sourcing vendor to support the Central Procurement Office's mission of savings creation.

**Discussion:** This will propel the Central Procurement Office's goal of savings creation at a faster pace than possible with existing staff. Also, this initiative will expose staff to best practices, allow for training and professional development, and will provide support during organizational transition by creating savings and providing intense data analysis. On average, states realize 15-20% savings when contracts are strategically sourced.

**Recommendation 2:** Adopt a software solution to improve the visibility of state contracts.

**Discussion:** Software solutions will enhance user capabilities in searching for contracts and specific items. Legislation has been proposed that would equip the state to leverage the volume of contracts and reduce overall costs to the departments.

**Recommendation 3:** Standardize procurement threshold.

**Discussion:** Currently, threshold amounts vary widely depending on the type of contract (commodity, non-professional service or professional service). The department recommends creating a clear threshold of \$50,000 which will allow the Central Procurement Office to focus on more strategic, high dollar initiatives.

**Recommendation 4:** Improve vendor notification process by fully adopting/implementing the Enterprise Resource Planning (Edison) system to notify vendors and improve training with agencies.

**Discussion:** The Central Procurement Office will use Edison in innovative ways to ensure procurement opportunities are easy to locate and highly advertised with the goal of creating transparency and competition.

**Recommendation 5:** Remove constraints on procurement methods for goods compared to those for professional services.

**Discussion:** This recommendation will give the department the flexibility to pursue the approach deemed most advantageous to the state. This change has been proposed in legislation and will serve to further break down the barriers between procurement of goods and professional services.

**Recommendation 6:** Allow the department to negotiate prices during the solicitation and contracting process.

**Discussion:** This recommendation will improve the state's position in contract negotiations with private vendors. Having the ability to negotiate at any point in the life cycle of a contract is an integral part of the procurement and contracting process and creates opportunities for savings and increased performance levels beyond what the state is currently able to achieve.

**Recommendation 7:** Allow the department to streamline the procurement process.

**Discussion:** The department would like to reduce the ten procurement methods that are currently available down to six procurement methods that are already clearly defined in policy and that correspond with the value of the contract.

**Recommendation 8:** Amend Tennessee law to allow the Chief Procurement Officer to authorize the use of competitive negotiation of contracts or multi-step bidding.

**Discussion:** This change has been proposed legislatively and will create two innovative procurement methods that can be used in limited cases today and could be broadly used in the future.

**Recommendation 9:** Amend Tennessee law to raise the department's monetary approval threshold on personal service, professional service, and consultant service contracts from \$15,000 to \$50,000.

**Discussion:** This change has been proposed legislatively and will align the delegated purchase threshold for services with the existing threshold for goods, thus supporting the department's overall effort to streamline procurement. This recommendation also allows the department to eliminate steps in the procurement process that do not add value by reducing the number of small-value, low risk transactions that are processed through the Central Procurement Office.

**Recommendation 10:** Amend Tennessee law to raise the threshold of all procurement and contracting activity from \$25,000 to \$50,000, which will allow agency autonomy under their delegation.

**Discussion:** This change has been proposed legislatively and will align the delegated purchase threshold for services with existing threshold for goods procurement, thus supporting the department's overall goal to streamline procurement. This recommendation also aims to eliminate steps in the procurement process that do not add value by reducing the number of small-value, low risk transactions that are processed through the Central Procurement Office.

**Recommendation 11:** Amend Tennessee law to remove all references to surplus property and the disposal of state property from the Central Procurement Office.

**Discussion:** This recommendation aims to correct verbiage currently in Tennessee statute that transferred the program and administration of the Surplus Property Warehouse to the Central Procurement Office. This legislative change will transfer the program back to Central Warehousing where it can be properly managed and where the business process more clearly aligns with the mission of Central Warehousing.

**Recommendation 12:** Implement a three year Pilot Leasing Program to take high mileage state drivers out of personal vehicles.

**Discussion:** A study was completed where the cost of reimbursing employees (\$ .47 per mile) for using their personal vehicles to conduct state business was compared to the cost of the state leasing vehicles (\$ .33 per mile, adjusted for actual fuel cost) for the employees to conduct state business. This study showed that an estimated \$ .14 per mile could be saved by implementing this program. The Pilot Lease Program was launched in July 2011 for 500 employees with high mileage reimbursements, and based upon the first six months of data, the department projects to save in excess of \$2 million over the three year pilot program.



**Recommendation 13:** Replace in-house Motor Vehicle Management (MVM) fleet maintenance with a service contract to provide quality maintenance at a consistent cost on a statewide basis for vehicles.

**Discussion:** Motor Vehicle Management operates and maintains a fleet of 4,600 vehicles throughout the state. The maintenance/repair services provided at the Nashville facility were limited in scope. Because there are pockets of vehicles scattered all over Tennessee, procuring local maintenance contracts in those outlying areas had not proven successful over the years. This lack of consistency required the use of local vendors where the process and services varied. By contracting for statewide vehicle maintenance of the entire fleet, MVM has avoided the costs to re-locate the garage, reduced operating and staff costs, and will achieve fleet maintenance savings as well. This project will realize an estimated \$370,000 savings in annual operating costs and a cost avoidance of \$1.2 million.

**This recommendation has been completed.**

**Recommendation 14:** Identify state vehicles in the Motor Vehicle Management fleet that could be leased rather than purchased to reduce costs to the department.

**Discussion:** Motor Vehicle Management has identified an initial 950 vehicles in the statewide fleet that are in need of replacement. With the current utilization data of those vehicles, a Request for Information (RFI) was issued to leasing companies. Based upon the RFI and departmental analysis, it will be cheaper to lease vehicles with full maintenance coverage for 36 months/60,000 miles, than to purchase new vehicles and provide maintenance for those vehicles. In addition to the avoidance of a cash outlay of \$18 million for new vehicles, it is projected the state will save an average of \$.03 per mile by leasing.

**This recommendation has been completed.**

**Recommendation 15:** Outsource the department's Motor Vehicle Management dispatch program.

**Discussion:** Motor Vehicle Management operates a short-term rental fleet of vehicles (dispatch). This fleet, like the regular fleet, is in need of replacement. Research indicates that because of limited staff and resources, as well as limited technology, the state has been forced to maintain a fleet larger than necessary to service its customers. The costs to replace the aged state vehicles and maintain them was analyzed and compared to daily rental costs of vehicles from car rental companies. This comparison revealed that it was cheaper to contract with a car rental company to provide the dispatch services and manage the program rather than having the state buy new vehicles and operate the dispatch fleet. In addition to avoiding the cost of \$2.8 million that would be required to replace the existing fleet, it is projected the state will save \$330,000 in annual recurring costs from this change.

**This recommendation has been completed.**

**Recommendation 16:** Sell the Motor Vehicle Management facilities at 2200 Charlotte Avenue and relocate the administrative staff to the Tennessee Tower.

**Discussion:** Because the Motor Vehicle Management Division has outsourced all vehicle maintenance, outsourced the operation and management of the dispatch program, and is currently outsourcing to lease a large percentage of the fleet as opposed to purchase, the facility is no longer needed. The property located at 2200 Charlotte Avenue is a large facility near downtown Nashville that contains a significant portion of property that has not been occupied for a number of years. Furthermore, the main building has mold, asbestos and other environmental health issues that make the building too costly for renovation. The Real Estate Asset Management Team has decided to sell the property.

**Recommendation 17:** Expand the address list clean-up services software, which will eliminate the need for the state to pay an outside vendor to provide this service.

**Discussion:** The State of Tennessee currently has a statewide contract for National Change of Address Service (NCOA) SWC-3031. The contract provides state agencies the ability to pass their address files against the latest 36 months of moves as reported to the U.S. Postal Service. The agency then incorporates the address changes into their print file prior to producing their documents. This not only gives the agency a cleaner address list for their mailings but also provides the U.S. Postal Service with updated addresses as they deliver the mail, thereby saving both the state and the postal service the unnecessary cost of extra handling. The utilization of this software should be expanded to other agencies in the state.

**Recommendation 18:** Analyze record storage for efficiencies.

**Discussion:** Since the 2010 flood, the Records Analysis Team along with the assistance of staff from the Secretary of State's Office and State Archives, and per the approval of each agency head, disposed of 12,000 flood-damaged boxes of unsalvageable state records. This effectively eliminated the state's obligation to pay \$2.9 million in insurance payments.

**This recommendation has been completed.**

**Recommendation 19:** Modify the Statewide Records Disposition Authorizations (RDAs) and identify records for disposal.

**Discussion:** The Records Analysis Team has extensively reviewed and modified all of the Statewide RDAs. The team found various duplicative and redundant RDAs, as well as several RDAs that were no longer required due to an outdated record series. As a result, the number of Statewide RDAs was reduced from 59 to 15, which amounts to a 75% reduction. Furthermore, the

remaining 15% were carefully re-written and simplified. Overall, the complete RDA review has resulted in 37,000 boxes of records that could be authorized for destruction, resulting in projected warehousing cost-avoidance of \$235,000.

**This recommendation has been completed.**

**Recommendation 20:** Reduce third party lease obligations.

**Discussion:** Currently state agencies occupy more than 3,000,000 square feet of third party lease space across Tennessee. By reducing the leased space operated by the state and relocating employees into consolidated state-owned space, the state projects millions of dollars in savings. The payback of the cost to accomplish this is projected to be less than five (5) years and will provide ongoing flexibility to agencies.

**Recommendation 21:** Evaluate responses to the Facilities Assessment, Master Planning and Facility Management RFP to determine potential costs savings.

**Discussion:** This RFP and the resulting contract will determine what cost savings and initiatives could be undertaken through the outsourcing of real estate management functions.

**Recommendation 22:** Proactively monitor space needs by utilizing an Interagency Lease Document.

**Discussion:** Create an interagency state lease document outlining the term and obligations of each agency and specific dates to re-evaluate space needs and tenant improvements to proactively monitor space needs and requirements. As more agencies are relocated into state-owned space or co-located with other agencies, the need for an Interagency Lease Agreement becomes greater. The agreement will be used to solidify the pro-rata space calculation, term of lease, intended use, the rental rate to be paid through the end of term, utilities and janitorial costs, source of funding, responsibilities within the leased premises by agency, and any other conditions

required to co-occupy the space whether state-owned or third party leased space. The new Interagency Lease Document is being drafted.

**Recommendation 23:** Make the State of Tennessee Real Estate Asset Management (STREAM) Sustainability Group a self-funded entity by increasing efficiencies in areas such as HVAC and lighting.

**Discussion:** The STREAM Sustainability Group is developing a system for comprehensive energy management for state owned buildings. This system will allow an accurate baseline of current energy consumption so that savings through targeted energy conservation measures can be calculated. As is the case with so many existing buildings, there are savings to be realized through equipment upgrades. The energy savings from these improvements will be measured and used to fund future energy conservation projects.

**Recommendation 24:** Acquire and implement enterprise software that will manage our leasing and asset process.

**Discussion:** With approximately 400 current real estate leases in place, a software database is required to more accurately account for lease locations, rent, term, landlord responsibility, state responsibility, notice periods for options and termination provisions. The database will allow STREAM to be aware of upcoming lease requirements involving lead-time to ensure termination and renewal dates are completed on time.

**Recommendation 25:** Install LED lighting in the Tennessee Tower on the 3rd and 30th Floors.

**Discussion:** The lighting on the 3rd and 30th floors is similar to the lighting that was replaced on the 4th floor. There are significant savings to be realized with the retrofit from existing lighting to LED lighting, not only in energy consumption but also in operational savings. TVA is currently working with the state to address funding assistance and energy modeling prior to the retrofit.

**Recommendation 26:** Reduce electrical consumption with TVA-EnerNOC Demand Response Program.

**Discussion:** The department is partnering with EnerNOC on a TVA-NES Demand Response Program in thirteen state-owned buildings. As part of the program, the state will voluntarily reduce electrical consumption during critical peak periods. The program provides a no-risk opportunity for the state to save money both by participation and through reduced energy consumption during a demand response event. Participation payments and energy savings are projected to be in excess of \$40,000 annually.

**Recommendation 27:** Replace the Tennessee Tower's exterior reflective film for its windows, which will reduce solar heat and cut energy costs.

**Discussion:** Equipping the Tennessee Tower with a new reflective film to reduce solar radiant heat will cover the cost of the project in less than four years and create reoccurring savings in subsequent years. This project qualifies for an incentive payment from TVA through their EnergyRight Solutions program to offset the construction cost. This incentive payment is estimated to cover 10% to 20% of the construction cost. Besides energy savings, there will be an improvement in occupant comfort and productivity from reduced glare, and reduced radiant heat loss during the winter.

**Recommendation 28:** Replace the Tennessee Tower's outdated and inefficient internal fan and insert a new fan wall.

**Discussion:** The 5th floor southwest fan suffered a catastrophic failure due to extreme age and extended runtime. When this occurred, the department made a conscious effort to seek out new and more efficient technology to help power the building. To that end, we installed a newer technology called fan wall technology. Energy modeling has indicated a 60% savings compared to the old equipment, as well as increased operational efficiencies. Now that the system is installed and operating, the department is seeing a 62–70% savings relative to previous equipment.

**This recommendation has been completed.**

**Recommendation 29:** Purchase and install a software system capable of supporting a "virtual" warehouse.

**Discussion:** This new software will be capable of virtually eliminating the need to use the antiquated physical warehousing process, for both the Federal and State Surplus Property Programs. The elimination of unnecessary expenses involved with pick-up, storage, and sale of state property can be accomplished by implementing a process similar to the Tennessee Federal Direct Sale Program. The disposal of surplus will occur on site at the owning agency's location instead of transporting surplus from all over the state to a central warehouse, saving on both transportation and storage costs estimated to be \$365,600 annually.